The Mondragon cooperatives

Changes & Questions in the Global Economy

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Worker-ownership enthusiasts often consider Mondragon almost the "holy grail" of cooperative enterprise development. Few businesses, though, are immune to the global economy's demands, and the Mondragon co-ops certainly are not.

The Mondragon group has responded to these pressures in several ways, the most significant response being legal-structural unification. In the past, the individual cooperatives were fairly autonomous in business terms, although they were affiliated in a number of important ways. The new structure, by contrast, gathers all the enterprises and support organizations under one corporate roof, the Mondragon Cooperative Corporation (*MCC*). The cooperatives are distributed among the *MCC*'s three main business divisions (Financial, Industrial and Retail/Distribution) and seven subdivisions. The *MCC* as a whole is now managed by a President and his or her General Council, comprised of the division and subdivision Vice Presidents and several others. *MCC* officials emphasize that the purpose of the reorganization is *not* centralized operational control, but rather closer 'Coordination of activities within business sectors, greater economies of scale, and strengthened strategic planning'.

These new management bodies are accountable to two representative governance structures, the Cooperative Congress and its Standing Committee. The Cooperative Congress is made up of representatives elected from each cooperative in the Corporation and is the highest authority in the *MCC*. The Congress elects 17 people to the Standing Committee (essentially an internal board of directors) which appoints the President of the *MCC* (the CEO) and must approve the President's choices for General Council.

All but three or four of the group's co-ops voted to join the *MCC*. Still, the new structures have generated a substantial amount of controversy within the group over issues such as the centralization of authority, and the bureaucratic distancing of management from the membership.

In addition to the restructuring, over the last several years the *MCC* has begun to make use of several other potentially controversial strategies aimed at increasing

competitiveness. It has acquired or carried out mergers or joint ventures with conventional firms and built several plants in low-wage, developing countries. The future membership status of employees in many of these enterprises has not been resolved. Many cooperatives in the *MCC* use temporary workers in periods of high demand and the proportion of temps is also a concern. Further, the *MCC* is now, indirectly, selling a form of non-voting stock on the public market, hence, at some level, mixing worker-members' voices with those of capital investors. Finally, the wage solidarity ratio may be significantly altered group-wide, and already has been in some part of the Corporation, from 4.5:1 to 6:1 or higher.

Change in the face of ever-increasing global competition is inevitable. Proponents of the new arrangements in the *MCC* argue that they are necessary to survive this competition. But the jury is still out on both economic and social questions in Mondragon. While the *MCC* remains an exemplar of democratic worker ownership, it remains to be seen whether the new policies can both bring greater business success and maintain the group's explicit commitment to the principles and practices of cooperative enterprise.